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ABSTRACT

In the wake of recent global political changes and an increase in international trade, this study examines principles for restructuring United States business school curricula to meet the challenges in global trade. First the paper examines business perceptions in Asia, Europe, Latin America, and Africa and recommends incorporating business perceptions in foreign countries into business school curricula. The European custom of recruiting high-level civil servants for positions in the upper levels of private industry is discussed and treatment of this phenomenon is recommended for International Management courses. There follows an examination of Japanese management style and how that helps their penetration of international markets. Also treated are the difficulties that non-Japanese firms face in trying to enter markets in Japan. Next, communication and cultural barriers are discussed, particularly as they affect international trade. A conclusion calls for a rekindling of the American pioneering spirit in business school education in order to meet the challenges posed by global markets. In addition, at least one foreign language course and courses with an international focus are recommended as part of a required core program. The text includes 21 references and seven notes. (JB)

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HOW TO INTERNATIONALIZE THE BUSINESS SCHOOL CURRICULUM: THE CASE OF JAPAN AND MULTINATIONAL CORPORATIONS

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Abstract

This study examines some principles which may be useful in internationalizing the business school curriculum. They are as follows:

1. Business perception in Asia, Europe, Latin America and Africa.

2. Recruitment of high level civil servants to top management positions in private industry in Europe, Latin America and Africa in contrast to recruitment of top business executives to similar positions in the United States of America.

3. Japanese management style and world trade penetration.

4. Communication and cultural barriers as they affect international trade.

The following suggestions are made:

a) Inclusion of socio-psychological approach to business in other countries as a part of the business school curriculum.

b) Greater commitment of business educators to the exposition of students to other cultures through courses such as, Organizational Behavior and International Business.

c) A rekindling of the American pioneering spirit through business school curriculum.

How To Internationalize The Business School Curriculum: The Case Of Japan And Multinational Corporations

Internationalizing the business school curriculum calls for serious commitment to a detailed program that may provide global education to students in Colleges and Universities. According to Goehle (1989), "To go international involves a genuine paradigm shift in people's thinking: about themselves, each other, their company and the world. Getting to that stage often involves a long process and a very personal one" (p. 9). Therefore, if United States (U.S.) domestic and international firms are to be competitive, going international become imperative for business schools across the U.S.

Already, many multinational corporations such as, International Business Machine (IBM), Exxon, General Motors, Ford Motors and Chase Manhattan Bank are engaged in both domestic and world trade, while others are trying to penetrate world markets. Some of these multinational corporations have developed programs to train their employees for international assignments. Apart from an employee's technical expertise, Fortune 500 firms use a screening and selection instrument called Overseas Assignment Inventory (OAI) designed by Moran, Stahl and Boyer to determine candidates that are right for overseas job.

Fetterolf (1989) stated, "OAI measures certain attitudes and characteristics that successful international executives have in common" (p. 14). Fourteen predictors are used to measure the suitability of a candidate. These predictors are expectations, open-mindedness, respect for others' beliefs, trust in people, tolerance, personal control, flexibility, patience, adaptability, self-confidence/initiative, sense of humor, interpersonal interest, interpersonal harmony and spouse/communication.[1]

Many changes are taking place all over the world that are important for international trade. For example, the European Economic Community (EEC) will become a single market in 1992. EEC is made up of 12 European nations of Belgium, Denmark, Federal Republic of Germany, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and United Kingdom.[2] EEC was the world's largest exporter in 1987, accounting for about 20 percent of world trade, while Japan's share was 9 percent. 10 percent of EEC's gross national product (GNP) was contributed from her exports in 1987, while 5 percent of U.S. GNP was contributed from U.S. exports in the same year.

Finally, as a result of the democratization process in Soviet Union and many Eastern European countries, some Congressmen and the Administration are urging a waiver of the Jackson-Vanik amendment. This amendment prohibits

granting of most-favored nations (MFN) status to Soviet Union because of her emigration policies. Also, Mexico is negotiating with the U.S. regarding the expansion of bilateral trade and investment, and the removal of both tariff and non-tariff barriers on most-favored nation basis, so that they may compete for steel and textile trade.

Considering the changes around the world and the increase in international trade, how should business school curriculum in the U.S. be structured to meet the challenge in global trade? This study examines some principles which may be useful in meeting these challenges. Section 2 analyzes business perception in Asia, Europe, Latin America and Africa. The recruitment of personnel to top management positions in Europe, Latin America and Africa is compared to similar recruitment in U.S. in section 3. Section 4 discusses Japanese management style and how they penetrate world trade. The relationship between communication and cultural barriers and world trade is developed in section 5, and the paper concludes with a summary and suggestions.

Business perception in Asia, Europe, Latin America and Africa

Asia

Between China and India, there are about 2 billion

consumers based on the 1989 estimated population of both countries. The huge population of both countries is a potential market for U.S. products.

For many years, some multinational corporations have tried to penetrate two Asian countries of China and India, and to serve as vehicles of development to them. The perception of business activities conducted by multinational corporations (multinationals) in these countries have not been very positive because, they assume that multinationals take out of their countries than they put in. For example, it is argued that multinationals employ capital-intensive techniques in production in labor-intensive economies thereby, increasing unemployment through failure to employ their surplus human labor. The multinationals maintain that they need to protect their capital and technology. The case of a factory in China illustrates this point.

A Chinese factory decided to modernize her production by purchasing 56 used machines and 24 new ones from U.S., Switzerland, Poland and Holland since production in the factory was manual. When the machines arrived, the factory managers discovered that there were some technical problems to be solved inorder to operate them. Since there were no adequate arrangements and a better technological understanding between the Chinese and sellers of the machines, they could not be installed and

operated to provide the much needed modernization. The Chinese factory managers gave the following comparison of technology suppliers. "Germans are serious and diligent but very difficult to negotiate with because, they do not like to cut prices. Japanese are more flexible and easy to negotiate with, they do not want to transfer their technology but, offer excellent service. Americans are willing to negotiate, make concessions, share technology, but they leave early and are not willing to stay long in China" (Behrman, Fischer and Simon, 1989, p. 49).

India, with an estimated population of 833.4 million people may expect multinationals to employ her surplus human labor, and compare marginal costs of capital-intensive production technique with labor-intensive production technique. But in attempts to maximize profits, multinationals compare the marginal cost of capital-intensive technique with the total cost of developing a new process such as, local labor hiring practices.[3] In this case, India may view multinationals as not interested in the country. For example, General Motors withdrew from India and Pakistan in the early 1970's due to laws passed in the two countries requiring the use of 70 percent local content (Grabbe, 1986). Most of the disagreements and discontents between host country and multinationals may be avoided through compromises as

was the case between Parker-Hannifan Company of Ohio and Hubei Automotive Industry Corporation of China (Behrman et all, 1989).

Europe

An understanding of business perception in some parts of Europe may be obtained through the process of formulating economic policy in France. French economic policy making was handled through the interaction of six different bodies which included, the politicians, private industry, trade unions, government agencies and top civil servants till the early 1970's, when some reforms were made. These reforms were aimed at the relaxation of government regulations. This system of policy formulation is called economic nationalism in France, and is based on the ability of government to overcome economic difficulties.

The French system contrasts the classical economics position which states that, the oppressive and inefficient visible hand of the government was not capable of managing the forces of supply and demand. Hayward (1986) argues that France and Japan are among the countries whose governments direct economic development by using regulations to protect their consumers and activities in world trade.

Latin America

Bergstern, Horst and Moran (1978) found that investments by multinationals contribute to development by bringing capital, technology and management skills to developing countries. Those opposed to this view, cite a study of manufacturing investments,in five countries including Latin American countries of Argentina and Guatemala. This study indicates that, although direct foreign investment has positive effect on national income, there is a very negative effect on balance of payments and therefore, on gross national product.

The worsening state of balance of payments positions of Latin American countries make them, some of the largest debtor nations in the world. For example, the combined trade balance for Latin American Countries in 1984 was $35 billion while their external debt payments was $37.6 billion.[4] Based on the above analysis, multinationals may be treated with suspicion in Latin America.

Africa

African countries are also, some of the leading debtor nations in the world. Inorder to ease their debt payment problems, the Paris Club was founded in 1956 to provide a system in which debtor nations can reschedule their loans when they experience payment difficulties. These countries like their Latin American counterparts

contend multinationals export their capital abroad and enjoy preferential treatment in borrowing money from local financial institutions, most of which are foreign owned. Thus, during periods of economic contraction when banks are reluctant to extend loans to local businesses for fear of bankruptcies, multinationals receive credit. Furthermore, multinationals are presumed to monopolize host country's investment opportunities resulting in low production, fewer exports and in some cases, non-existent (Bergstern, Horst and Moran, 1978).

Despite the above analysis, this study found that many countries in Asia, Latin America and Africa would like more investments by multinationals who are committed and trustworthy in their countries. Incorporating business perception in foreign countries into the business school curriculum through such courses as, International Business and Marketing may broaden students knowledge in foreign business operations.

Recruitment of high level civil servants to top management positions in private industry

The recruitment of high level civil servants in France is highlighted by Suleiman (1974), when he indicated that corps of mining engineers and finance inspectors hold many of the banking and industrial positions. Thus, in some European countries including

United Kingdom, former top civil servants are recruited to head private industries because they possess political and administrative skills which top businessmen do not possess. In Latin America and Africa, leaders of private industries are also, recruited from senior positions in government and the universities. Therefore, in Europe, Latin America and Africa, experience in public service and good education are the keys to securing a top management position in private industry. These top civil servants are expected to be highly skilled in their professions, in addition to possessing the following:

1. Control over the nation's resource
2. Knowledge and power of negotiation
3. The ability to prepare top management plans and implementation of these plans.

But the recruitment of top private industry leaders in the U.S. is from private businesses and law schools which contrasts similar recruitment in foreign countries.

This concept of contrasting recruitment styles may be handled through International Management course. In this course, students may be taught how to interact with people with different background and experience they may encounter in business negotiations, what to expect and how to deal with any contingency.

Japanese management style and world trade penetration

Japanese businesses recruit business leaders with experience and good education from higher positions in government to head their private industries. The average age of any top civil servant recruited is usually 55. Their recruitment style is based on the fact that, they expert their business leaders to be very knowledgeable in business practices and government regulations.

Japanese businesses operate as a single system combining worldwide cost advantages with local operations. They operate in Japan with well established relationships with local customers just as they do in global markets. This system of trade enable Japanese firms to penetrate foreign markets by establishing long lasting relationships with other people. But entry into domestic Japanese market is difficult because of high failure rate due to changes in earnings, operating system, business and government regulations.[5]

According to Nakatani (1984), Japanese firms that belong to a particular industry group use the monopoly power of the group to stabilize its earnings when business is slow. Since most Japanese industries are dominated by firms belonging to industry groups, there is a tendency for them to share profits with their group members.

But a single foreign firm that does not belong to any industry group may not survive in Japan when business is slow because it may not have any industry group from which to share some profits. This is one of the reasons why some foreign firms do not survive in Japan.

Although, many manufacturing companies had increases in sales in early 1980's, they reported that, they experienced limitations in market arrangements in Japan. Hood and Vahlne (1988) stated that, "50 percent of the Japanese market is not open for competition and stable relationships between company managers based on old business connections and education are other barriers to entry" (p. 228).

The recruitment of well skilled local labor is another problem cited by foreign companies in Japan. These companies (firms or multinationals) stated, the Japanese system tends to internalize labor and it is very difficult to recruit from the prestigious universities in Japan. Through conglomerates and industry groups, Japanese firms recruit highly skilled labor from the prestigious universities.

These conglomerates are formed by major corporations in Japan by holding shares, lending and sharing managerial resources in a mutual and beneficial fashion. They restrict competition, create barriers to entry into a particular market and increase their profits. Nakatani (1984) and

Roehl (1983) studied return on investment for group firms and independent firms and the rationale for the existence of conglomerates. Nakatani found that monopoly power is used to attain a desired level of sales and to establish corporate performance. Roehl discovered that conglomerates maintain their market shares better than other firms and during low growth periods, they spread their profits among members. Recent examples are Sumito's support to Toyo Kogyo (Mazda) when increases in oil prices made their Wankel engines less competitive, and Mitsui's financial support to members of her conglomerates who were affected by losses sustained in the failure of Iran petro-chemical plant (Clegg, 1987).

Another obstacle to the penetration of Japanese markets is the vertical integration of Japanese firms with larger industries. These firms depend on the larger ones for about 80 percent of their output through sub-contracting, and thus, the distribution outlet in Japan is controlled.

Foreign firms (multinationals) may penetrate Japanese markets by adopting the system of sub-contracting, localizing products by setting up manufacturing firms in Japan and through the formation of joint ventures or partnerships with Japanese firms. Penetration of Japanese markets may enable U.S. multinationals to compete

successfully with Japanese multinationals in any part of the world. Lack of penetration of Japanese markets by U.S. multinationals is like conceding one of the important markets in the world (Hood and Vahlne, eds., 1988).

Teaching International Logistics as a course in business school may highlight the distribution system in other countries. Lack of knowledge of distribution systems around the world has posed problems in making finished products available and familiar to consumers. Topics such as, adequate financing of entry of multinationals into foreign markets and foreign financial planning should be taught as part of International Finance course. These topics may serve to prepare multinationals should they fail to make profits within some years in Japan. Japanese conglomerates provide financial support to their members, so that they may survive till they are able to make profits. An International Marketing course may be used to teach strategies such as, joint ventures and subsidiaries as techniques for penetrating world markets.

Communication and Cultural barriers as they affect world trade

A basic assumption in international trade is that needs and products are heterogeneous. That the needs of

consumers in a foreign country may not be the same for the supplier. This is a contradiction of traditional economics literature which assumes that, needs and supply of goods are homogeneous. Differences in needs and supply of goods may lead to tensions. These tensions may be related to price determination, information or consumer's taste.[6] As a result, firms going international may face four challenges as follows:

1. Balance of payments problems, changes in currency, exchange rates, inflation rates, interest rates and changes in government or political structures.
2. Conflicts arising from differences in host country's policies on transfer of goods, funds and production technology.
3. Cultural and societal differences.
4. Attempts by host country to limit influence of multinationals within her borders (Goehl, 1989).

Goehl (1989) reported that in a telephone survey of 20 U.S. based multinationals such as, AT&T and Chase Manhattan Bank on how they prepared for globalization, some reported that they used foreign assignments as tools for developing global leaders. Thus, many corporate executives have stressed the importance of developing and communicating a global philosophy throughout an entire organization, because the

development of a philosophical commitment to global business is a prerequisite for going international.[7]

An important aspect of Japanese culture is trust for they cherish human relations. Jager (1985) stated, "The wholesalers and retailers in Japan may refuse to deal with the products introduced to their markets by those who do not have long-standing and trustworthy relationship with them (p. 22). Some Japanese firms may experience this same situation, but it is harder for foreign firms. Therefore, the establishment of trust and long-lasting relationship is essential for success in Japanese markets.

The teaching of Organizational Behavior, International Business and Economics may broaden students knowledge of foreign cultures, business practices and specific markets around the world. Trust may be covered under Organizational Behavior, while patience in negotiations with other nationals may be illustrated by using the case method approach when teaching International Finance or Management course.

Conclusions

This paper examines the activities of multinational corporations around the world with particular reference to Japan to provide a framework for internationalizing the business school curriculum.

In retrospect, internationalizing the business school

curriculum to provide global perspective to students require a commitment by educators and business leaders and the rekindling of American pioneering spirit. This may be achieved by incorporating past corporate and individual creative achievements into the curriculum. According to Butler (1985), his firm was able to penetrate Japanese market through adequate preparation. The foreign business department of his firm developed plans for Japanese markets over many years, by translating a pocket-size textbook on basic techniques of basketball into Japanese. They sent a good coach to teach the techniques on the court in Japan. Through these efforts, the Japanese basketball coaches and players came to know his company's products, thereby penetrating Japanese markets.

Based on this study, a suggestion is made that courses such as, International Business, International Finance, International Logistics, International Management, International Marketing and International Trade should be included as part of business school basic core courses. Also, students should be required to take at least one foreign language course.

Multinational corporations wishing to penetrate Japanese markets may wish to know that, making profits in the first few years may not be possible. The

traditional product life cycle four stages may not hold or may take longer to move from one stage to another. This study suggests that multinationals entering Japanese markets should have adequate long-term financing plans and patience inorder to survive.

Other suggestions are:

The teaching of socio-psychological approach to business in other countries through such courses as Organizational Behavior, International Business and International Management.

The business school faculty should be encouraged to think in global terms, and use both current domestic and international events as examples when teaching.

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Footnotes

[1]For a detailed discussion, see Cynthia Fetteroff, (1989). Who's right for an international assignment. In International Executive, 14.

[2]For the sake of brevity, I have limited the analysis of EEC. See Journal of Applied Business Research, 6, 1-4.

[3]C. F. Bergsten, T. Horst & T. H. Moran. (1978). These authors analyzed the activities of multinationals.

[4]R. Wesson (Ed.). (1987) provides an insight into the debt problems of Latin American countries.

[5]N. Hood & J. Vahlne. (Eds.). (1988) provide a detailed description of barriers to entry into Japanese markets.

[6]ibid., 256-274. Hood and Vahlne discussed traditional economics position in respect of International Trade.

[7]D. G. Goehle (1989) discussed the philosophy behind international operations and suggests a total commitment by firms wishing to go international.